

- simplification of customs and border procedures;
- improvement of the system of trans-border trade;
- innovative development at the regional level;
- environmental protection;
- the development of major infrastructure projects between Ukraine and Russia (in particular, the construction of transport bridge across the Kerch Strait).

At the Forum the Program of interregional and trans-border cooperation between Ukraine and the Russian Federation for 2011-2016 year was signed. Currently preparation of a plan for the implementation of this program, which will contain specific activities for the development of interregional cooperation on the basis of proposals from Ukrainian and Russian regions is conducted.

There are two other formats of the Ukrainian-Russian interregional cooperation:

- Council of heads of border areas of Ukraine, Russia and Belarus (founded in January 1994);
- A Permanent Meeting of Heads of the regions of Ukraine and Russia – the «Commonwealth Regions" (an agreement was signed on May 18, 2003 in Odessa) [3].

Thus, as a promising tool for the creation of the regional growth pole to promote the sustainable development of the region both for Russia and Ukraine it is possible to use the existing forms of interregional and trans-border cooperation, including already existing euroregions.

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WTO ACCESSION AS A CONDITION OF RUSSIAN EXTERNAL COMPETITIVENESS IN THE WEST EUROPEAN MARKET

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After the collapse of the Soviet Union economic relations of Russia started to be dominated with Western countries, mainly the EU members, trade with which grew rapidly. The chief factors of rapid development of trade and economic cooperation between Russia and the EU are: the geographic proximity, the interconnectivity of the economies and infrastructures, the availability of the legal framework of interaction, long-standing business culture.

The EU is Russia's largest trading partner. But in terms of trade and investment, Russia does not matter to the EU to the same extent that the EU matters to Russia. Russia is Europe's third largest export market, while Russia's own export has been dominated by oil and gas.

This thesis can be illustrated with the analysis of volumes of Russian-EU export and import in 2006-2010. In 2006-2008, Russian export to the EU, predominantly commodities, increased by 56,1% while import from the EU to Russia increased by 90,4%. Due to the Global Financial Crisis Russian export to the EU dropped by 40%, while the EU export to Russia – by 35,7%.

However, in 2010 the situation stabilized. That year Russian export increased by 30,9%, imports – by 27,6%. Furthermore, in general, in 2006-2010 we experienced the 23,2%-increase of the export and 55% – of the import. So we may conclude that the dynamics of Russian export and import with the EU suffered due to the decline in 2009, while in 2010 the mutual trade revived [1].

The analysis of the EU and Russia trade relations would be incomplete without mentioning Germany as the largest foreign investor and trade partner of Russia. Russia also values Germany as the biggest customer for its gas, and now sees it as an influential advocate for its interests in the West.

Germany's attitude towards Russia is more complex, combining economic calculations with the legacies of the Second World War and of Soviet domination of Communist East Germany. Germany is seen in Russia as the gateway to Europe. The roots of the economic relationship are deep: Germany was Russia's biggest trading partner before the First World War, throughout the inter-war period, and again after the Cold War. Even during the Cold War, Germany was the USSR's biggest Western economic partner. In 2005, Germany's trade with Russia amounted to an impressive €38.9 billion. Russia also meets 42% of German gas needs, making Germany Russia's most important gas market. German energy companies are vital to the German-Russia partnership, to the extent that the only foreigner on Gazprom's board of directors is a representative of Germany's E.ON. Germany and Russia are also connected with the work under the Nord Stream pipeline under the Baltic seabed. Although Angela Merkel has been more vocal in her criticism of Russia's political set-backs and its energy policies than her Social Democratic predecessor, the political partnership with Russia continues to be strong [2].

The economic inter-dependence of Germany and Russia already goes deep. Both major German political parties – Mrs Merkel's Christian Democrats and the Social Democrats led by Foreign Minister Frank-Walter Steinmeier – make clear there is no turning back from a close embrace of Russia.

In 2011 in Sochi the German chancellor and Russian president unveiled plans for closer collaboration. They include a joint venture to create a world leader in building nuclear power plants, and state-backed export credits to lift German industry out of its downturn and help struggling Russian firms through the credit crunch. Russia was invited to step in to rescue ailing German shipyards, a memory chip plant and the Opel car firm. The two leaders will also set up a joint energy agency with wide powers to improve security of supplies and energy efficiency. It confirmed Russia's policy of favouring Germany, exemplified by the controversial Nord Stream pipeline project to take Russian gas under the Baltic Sea to a terminal on the German coast, bypassing transit states like Ukraine and Poland.

The important fact for Russia's economy is that now Europe seems bound to follow where Germany leads.

But anyway there are a lot of problems which hinder German-Russian relations. In the foreground here are various obstacles in the form of anti-dumping procedures, quantitative restrictions in respect of certain goods (such as rolled steel, aluminum, agricultural products), restrictions on the exchange of high-technology products and services. On the other hand, the instability of the economic situation in Russia, the decline in its export potential, the instability of foreign trade legislation, high crime rates in the business, raw nature of export – all this influence negatively trade relations with Germany and the EU countries in general. In addition, the expansion of Russian exports in the European market is hindered with their poor quality, limited range, lack of high-tech products, design flaws, as well as with the discrepancy between rigid rules and standards, particularly regarding safety and the environment.

Thus to improve the prospects of Russia's foreign trade with Germany and other countries of the EU we should first of all solve a number of internal problems that limit our cooperation with foreign countries and impede the development of trade relations with the EU.

The one of the most significant events that influence the international position of Russia is its entering the World Trade Organization (WTO), which took place in the end of 2011. Formerly Russia was the largest economy in the world that was not a member of the World Trade Organization. Russia applied for membership in the General Agreement on Tariffs and Trade (GATT) in June 1993 and the GATT Working Party was transformed into the World Trade Organization Working Party in 1995. President Vladimir Putin has made WTO accession a priority

for Russia, and after languishing for several years, the Russian accession negotiations began to see real progress under his Administration.

Russia has finally joined the World Trade Organization (WTO) at a ceremony in Switzerland 16.11.2011, after 18 years negotiating its membership. The Swiss brokered a deal between Russia and Georgia earlier that year that removed the last obstacle to Russia's accession. Georgia had tried to block Russia's WTO entry since the two countries fought a short war in 2008. Russia was by far the biggest economy yet to join the global trade body. It is also the last member of the Group of 20 major economies to join, after China gained membership in 2001.

The removal of trade barriers is likely to stimulate greater and more diversified trade between Russia and the rest of the world. According to some forecasts Russian membership will boost its economy by tens of billions of dollars each year. Due to becoming a WTO member, Russia will have to import certain rules and regulations that will address the very issues that foreign investors usually complain about, like corruption, the protection of minority shareholders and the independence of the judiciary [3].

The fact of Russia's joining the WTO aroused hot discussions in the public and scientific literature of the advantages and disadvantages of this step. Some experts argue that joining the WTO will create the right conditions for the further improvement of Russian business climate, for an influx of foreign investment and for boosting Russian export while also retaining the possibility of giving support to key branches of Russia's economy. Russia is achieving a completely new level of integration into the global economic system.

Perhaps the most commonly mentioned issue related to WTO membership is the lowering of import tariffs. A so-called "tariff disarmament" that would necessarily accompany a Russia-EU free trade area would probably last 7 to 10 years and will proceed through annual gradual reductions in tariffs on finished goods. Also the free trade area agreement must provide for a possible temporary freeze on – or possibly even an increase in – tariffs if there emerge imbalances on individual goods markets, thereby jeopardizing national production and employment. The same action must be taken in case of serious disproportions in the balance of payments.

In case that the free trade area brings positive results with regard to the industrial goods, eventually there will emerge an issue of mutual liberalization in the movement of services. This will take much more time and will require stage-by-stage conclusion of corresponding agreements for each specific kind of services (transport, insurance, tourism, etc.) [4].

In estimating the customs value of goods and determining the state of goods' origin, the EU abides by the rules of the World Trade Organization and has not yet introduced any specific regulations in this field. The future Russia-EU free trade area must be a realm where corresponding WTO rules are applied. Russia's goal is committed adherence to these rules, which, to date, has not been fully achieved. If in the course of building a free trade area, Russia and the European Union liberalize their mutual trade, the parties in many cases will have no other way to protect their national production, markets, employment and social stability than by taking measures that involve non-tariff regulation. Therefore, any future agreement between Russia and the EU must include rules for taking such measures by the parties in the spirit of consistent trade liberalization.

In the field of non-tariff regulation, the EU, as a rule, also abides by WTO international legal norms. If the proposed Russia-EU free trade area agreement has references to corresponding WTO documents that would suffice. However, the agreement must contain special instructions and regulations on some non-tariff restrictions where the European Union applies its own norms and rules. This concerns anti-dumping measures, technical and ecological standards and norms, and measures of sanitary and phytosanitary control [4].

If a free trade area does become a reality, the EU will eventually demand equal conditions for participating in competitive biddings, along with Russian companies; this would include Russian state orders for the supply of goods and services and for construction projects in Russia. If this issue arises (which will happen most likely in the long term), Russia must address it on the basis of the principles of reciprocity and mutual benefit.

International free trade experience, above all in the EFTA, shows that the liberalization of trade in finished goods – especially machines and equipment – in the course of building a free trade area promotes specialization and cooperation in research and production between the parties. On this basis, there is a stimulation of investment cooperation, mainly in mutual direct investment. The liberalization of trade will also provide the EU with cheaper direct investment in the Russian Federation when establishing branches of European companies and joint ventures, and will reduce their production and marketing costs (including in the area of components supply).

At the same time, however, opening up the Russian market will mean the direct export of products – via European firms – produced in other countries, which will weaken interest in investment in Russia as a way to penetrate its domestic market. But on the whole, the formation of a free trade area will increase direct investment from the European Union, most importantly in the manufacturing industry.

To this end, Moscow will need to conduct active negotiations with the European Union. The EU will start deriving immediate benefits from the free trade area, while Russia will first have to overcome difficulties caused by economic restructuring. Therefore, Moscow has all grounds to expect commensurate concessions and privileges from Brussels. This would include investment cooperation, as well as the introduction of a visa-free regime that would provide easy access for Russian manpower to labor markets in EU member countries on the basis of temporary contracts.

It must be emphasized that immigration restrictions and the strict Schengen regime apply to Russian citizens in full measure. The usual allegations by leading European politicians and high-ranking officials from Brussels and Strasbourg, which say that Russia is denied visa-free travel due to its so-called instability, are absolutely unconvincing considering Russia's real situation. Meanwhile, the EU offers visa-free entry to citizens of about 60 other countries, including much less stable states than Russia (for example, Argentina). Such discrimination contradicts the very idea for creating a Russia-EU free trade area and, moreover, a Common Economic Area.

From the very beginning of the free trade area negotiations, Russia should have sought a framework agreement on the regulation of labor migration in the future Common Economic Area. On the basis of such a document, Moscow would be in the position to conclude corresponding bilateral agreements with participating countries. Such agreements must ensure equal rights for Russian labor migrants – at least with labor migrants from third countries (Turkey, etc.). They also must regulate their employment, employment quotas, social issues (such as remuneration of labor, health services, pension schemes, and unemployment insurance), and the duration of labor contracts. Full account must be given to Russia's interests.

The formation of a Russia-EU free trade area is impossible without the free movement of Russian citizens and shipments across "European" land, that is, between the Kaliningrad exclave and mainland Russia. It is important that this movement be essentially simplified already at the initial stage of the future free trade area negotiations.

Although there are a lot of problems, Russia's becoming the WTO member certainly gives a positive political signal. It indicates clear support for a more liberal economic policy despite the expression of protectionist views. Russia has pronounced its endeavour to further integration into the global economy and to adoption of the common practices of international business. Nevertheless WTO membership is not a panacea for all the problems in the Russian markets, it won't make Russia competitive in the West European market automatically, though it is an important step towards greater efficiency and predictability in the Russian business environment.

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